



## Frequently Asked Questions (FAQs) on Income Tax

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**FAQs – Income Tax****Section 1: Basics of Income Tax****1. What is Income Tax?**

It is a tax imposed by the Government of India on any person who earns income in India. This tax is levied on the strength of an Act called “Income tax Act”.

**2. Who administers the Income-Tax Act?**

The job of monitoring the Income-tax collection by the government is entrusted to a Department called “Income-Tax”. This department functions under the “Department of Revenue, Ministry of Finance, Government of India”.

**3. What is the period for which a person’s income is taken into account for purpose of Income tax?**

Income earned in the twelve months contained in the period from 1st April to 31st March (commonly called “Financial Year [FY]” is taken into account for purposes of calculating Income Tax.

**4. Who is supposed to pay Income Tax?**

Any Individual or group of Individual or artificial bodies who/which have earned income during the previous years are required to pay Income tax on it. The IT Act recognizes the earners of income under seven [7] categories. These are Individuals, Hindu Undivided Family [HUF], Association of Persons [AOP], Body of individuals [BOI], Firms, Companies, Local authority, Artificial juridical person.

**5. What is Form 26AS?**

Form 26AS is a statement maintained and generated by the Income Tax Department for each individual assessee (person).

**6. What is Form 16?**

Your employer gives you Form-16 as a certificate of total TDS deducted from salary. Details of TDS deducted and the details of salary, allowances & deductions are mentioned in Form-16. However, the details of deductions mentioned are subject to the proof of deductions submitted by you to your employer.

**7. What is considered as Salary income?**

For a salaried person, all that is received from an employer in cash, kind or as a facility is considered as salary income.

**8. What are allowances? Are all allowances taxable?**

Allowances are fixed amounts, apart from salary, which are paid by an employer for the purpose of meeting some particular requirements of the employee. Allowances are taxable.

**9. During the year, I had worked with 2 different employers and none of them deducted any tax from salary paid to me. If all these amounts are clubbed, my income will exceed the minimum exemption limit. Do I have to pay taxes on my own?**

Yes. You will have to pay self-assessment tax and file the return.

## Section 2: Old and New Tax Regimes

### 10. What are the Tax Slabs available now?

Slab Rates	Existing Tax Rate (Old Regime)	Optional Scheme - Tax Rates (New Regime)
Up to 2,50,000	Nil	Nil
2,50,000 - 5,00,000	5%	5%
5,00,000 - 7,50,000	20%	10%
7,50,000 - 10,00,000	20%	15%
10,00,000 - 12,50,000	30%	20%
12,50,000 - 15,00,000	30%	25%
Above 15,00,000	30%	30%

### 11. What are the various Income Tax Deductions & Exemptions?

Income tax act allows individuals to take certain deductions from the salary. These are covered in chapter VI-A of the act. These are discussed below:

**Under Section 80C:** Maximum Limit: Rs. 1,50,000 in a financial year provided investments are made in certain financial instruments.

- Public Provident Fund (PPF)
- Employees' Provident Fund (EPF)
- the premium paid towards life insurance
- principal repayment of a home loan
- investment in National Savings Certificate (NSC)
- investment in Equity Linked Savings Scheme (ELSS funds)
- children tuition expenses, etc.

**Under Section 80D:**

- Deduction of Rs. 25,000 on medical insurance of self, spouse & dependent children.
- Deduction of Rs. 50,000 if both the taxpayer and the parents are above 60 years of age.

**Section 80DD:**

Expenditure should be incurred on the medical treatment of a handicapped dependent, where based on disability the deduction allowed is up to Rs. 1,25,000

**Section 80E:**

Maximum Limit & coverage: Interest paid on education loan is allowed as a deduction up to 8 years beginning from the year in which the individual starts paying the loan.

**12. What are the exemptions removed under new tax regime?**

- Exemption of up to Rs 1,50,000 lakh under Section 80C for ELSS, NPS, PPF
- Exemption of up to Rs 25,000 under Section 80D for medical insurance premium
- Tax benefits for disability under Section 80DD/80DDDB
- Leave travel allowance exemption to salaried employees which could be availed twice in 4 years
- House Rent Allowance to salaried individuals
- Standard deduction of Rs 50,000 to salaried taxpayers
- Professional Tax under Section 16
- Tax benefit on interest on housing loan for a self-occupied or vacant house under Section 24
- Rs 15000 deduction from family pension under Section 57
- Tax rebate of up to Rs 12,500 on income up to Rs 5 lakh under Section 87A
- Deduction of up to Rs 2 lakh on Home Loan interest
- Tax break on interest on education loan under Section 80E
- Tax break on donations to NGOs under section 80G
- Additional deduction of up to Rs 1.5 lakh on Home Loan interest on affordable houses under section 80EEA
- Deduction of up to Rs 1.5 lakh for on Auto Loan interest on the electric vehicle under section 80EEB

**Section 3: Common Questions****13. Are retirement benefits such as PF and Gratuity taxable?**

No. They are exempt subject to conditions and limits laid down in the Income Tax Act.

**14. Is leave encashment taxable as salary?**

It is taxable if received while in service. Received as retirement benefit, however it is exempt subject to certain conditions.

**15. Life insurance amount received on maturity along with bonus – is it taxable?**

No.

**16. What do you mean by “Income from House Property”?**

Income from house property is a notional income based on Annual value. This is the value a property is expected to fetch if it is let out. It may be more than the actual rent being received if let out. If it is not let out the expected market/fair rent will be considered as “annual value” for the purpose of taxation.

**17. My spouse and I are joint owners of a house constructed by availing housing loan separately. Are we both individually / separately entitled for deduction of the maximum interest payable of Rs. 2 lakhs?**

No. The net taxable income from the property must be calculated first and then apportioned between the co-owners. In this process of calculation maximum interest payable of Rs. 2 lakhs can be considered only once.

**18. My spouse and I jointly own a house for construction of which both of us have invested equally out of independent sources. Can the rental income received be split between us and taxed in the individual hands?**

Yes.

**19. Where is the House Rent Allowance (HRA) to be reflected while filing income tax return (ITR)?**

The amount of HRA is required to be disclosed in the ITR under the column allowances to the extent exempt under section 10. section 10(3A) is the relevant section under which the amount of exempt HRA to be shown.

**20. What is the taxability of House Rent Allowance (HRA)?**

Least/minimum of the following is exempt (Not taxable/deducted from total HRA received)

- (a) Actual amount of HRA received
- (b) Rent paid Less 10% of salary
- (c) 50% of salary if house taken on rent is situated in Kolkata, Chennai, Mumbai and Delhi  
or  
40 % of salary if the house is taken on rent is NOT situated in Kolkata, Chennai, Mumbai and Delhi.

**21. What is standard deduction? What is the limit?**

The standard deduction is allowed while computing income chargeable under the head salaries. It is available to all class of employees irrespective of the nature of employer. Amount of Standard Deduction is Rs. 50,000 or amount of salary/pension, whichever is lower.

**22. How will I get my excess paid tax refunded back?**

Once you file an income tax return, the excess fund will be transferred to your bank account once the refund gets processed.

**23. I am staying in my own house, but I am paying Rent for my parents in a different location. Am I eligible to claim HRA exemption?**

HRA can be claimed only if the rent is paid in the city where you are employed with. In the current scenario the HRA exemption is not allowed.

**24. Can I claim HRA and housing loan if both are in same cities?**

The HRA and Home loan benefit for self-occupied property can be availed only if both the rented houses and the property are in two different cities. If both are in the same city, employee can avail either HRA or Home loan benefit

**25. I'm paying medical insurance premium for my parents-in-law. Is this premium considered for tax exemption?**

No, the medical premium paid for parents-in-law will not be considered for the tax exemption under Section 80D.

**26. I have taken the Educational loan 5 years back and I'm still paying the EMI for the loan taken, can I claim this interest under Section 80E?**

Yes, the Interest paid for the first 8 years on the loan taken for higher education can be claimed for tax benefit.

**27. Can I avail the benefit under Section 80E for any vocational courses that is related to my work/profession?**

Yes, the interest paid towards the loan taken for the vocational courses can be availed under this section.

**28. What percentage is allowed for PF u/s 80C? Are both employee & employer contribution allowed?**

The percentage allowed for PF u/s 80C is 12% i.e. employee contribution. Employer Deduction towards PF will not be considered for Tax exemption.

**29. Is VPF eligible for deductions u/s 80C?**

Yes, VPF is eligible for deductions u/s 80C. VPF amount deducted through salary will be considered for tax calculation by default.

### Section 4: Investment Declaration Process

**30. Where should I declare my investment?**

All investment declaration should be submitted in Excelity Global Portal before the cut-off date as communicated.

**31. What is the last date to submit declaration?**

Declaration window will be enabled between 1st to 15th of every month till December.

**32. When do I need to submit investment proofs?**

Investment Proof Submission Form (IPSF) process is generally enabled on Excelity Global Portal between last week of December to 3<sup>rd</sup> week of January.

**33. What will happen if I do not declare any Investments now?**

If you don't declare any investments then you will have higher Income Tax deduction in your monthly payroll

**34. What if I do not select any Tax Regime?**

If employee do not select the tax regime then employer will continue to compute Tax as per Old Tax Regime for entire FY.

**35. Can I change the tax regime later, if I select a tax regime now?**

No; If the New Regime option is selected & submitted, the same cannot be subsequently revised to the Old Regime in the current financial year.